

BNZ-REINZ Residential Market Survey

13 July 2011

Mission Statement

To help Kiwi businesspeople and householders make informed financial decisions by discussing the economy in a language they can understand.

Increasing Buyer Activity Evident

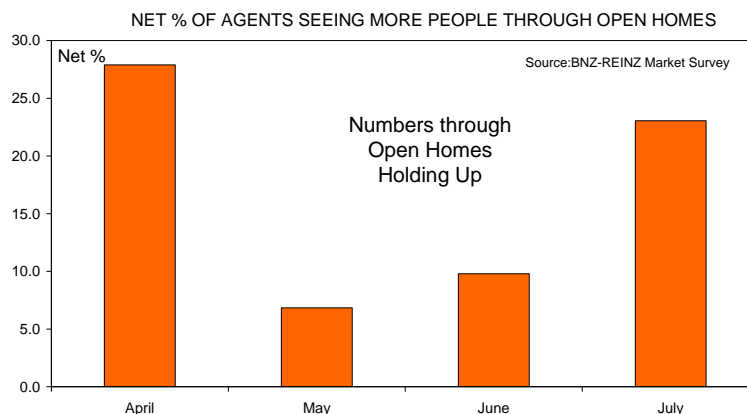
Our fourth monthly BNZ-REINZ Residential Market Survey has found a sizeable lift over the past four weeks in buyer interest in residential property. Licensed real estate agents have reported strong rises in the number of people going through Open Homes and clearance rates at auctions. The increased interest appears to be coming largely from first home buyers with a net 30% of agents reporting increased interest from new home seekers but a net 1% reporting a decrease in interest from investors. With buyer enquiry rising price pressures appear to be changing with a net 14% of agents now reporting that they believe prices are rising. For the previous three months most reported that they felt prices were instead still falling therefore this is quite a sharp turnaround. At a local level perceptions of prices rising are very strong in most parts of Auckland and Christchurch, but there are also strong perceptions of prices falling still in the likes of Tauranga, New Plymouth and Invercargill.

However one could not necessarily characterise the market yet as a sellers one overall (except in much of Auckland) with the same number of agents nationwide reporting they feel sellers are more motivated to transact than buyers, as are reporting buyers are more motivated to transact than sellers. However the fact that vendor requests for appraisals are perceived as decreasing suggests that things are turning more and more toward a sellers market. Regional differences are quite large however and are shown on the second to last page.

Is the number of people going through Open Homes increasing or decreasing?

Strongly Rising Interest At Open Homes

A net 23% of agents reported that they are noticing more people going through Open Homes. This was a sizeable rise from the net 10% noticing improved activity in May and the fourth positive result in four months. What this tells us is that not only are more people appearing to show interest in buying a property but June was a month when a lot of extra people came out of the woodwork compared with May's increase.

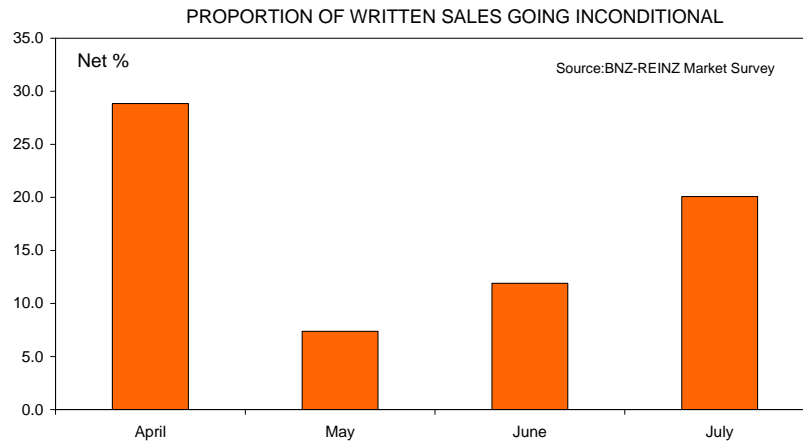


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Is the proportion of Written Sales going unconditional increasing or decreasing?

Fewer Buyers Backing Away After Signing

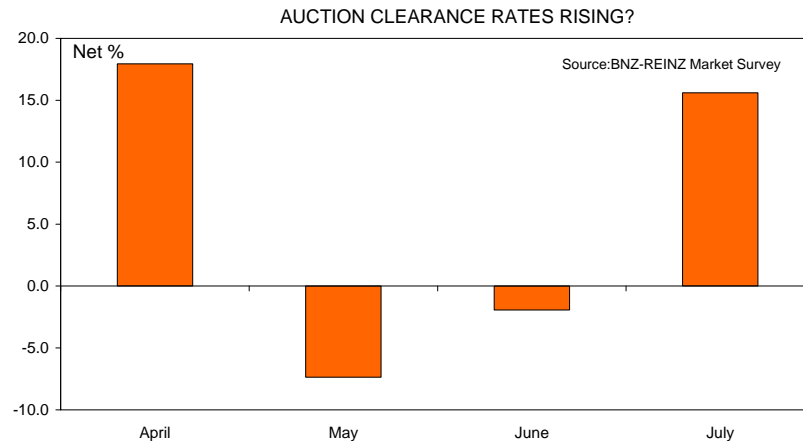
A net 20% of licensed agents responded noting that more Written Sales are becoming unconditional. That is, fewer and fewer sales are falling over because of things such as builders reports or inability to sell one's own house.



Are auction clearance rates increasing or decreasing?

Auction Activity Rising

A net 16% of agents reported that auction clearance rates appear to be rising. This is quite a turnaround from the previous two months when there were slightly more noticing clearance rates falling than rising. This change correlates well and tends to support the implication of extra buyer interest one draws from the increased proportions of agents noticing more people at Open Homes and sales going unconditional.

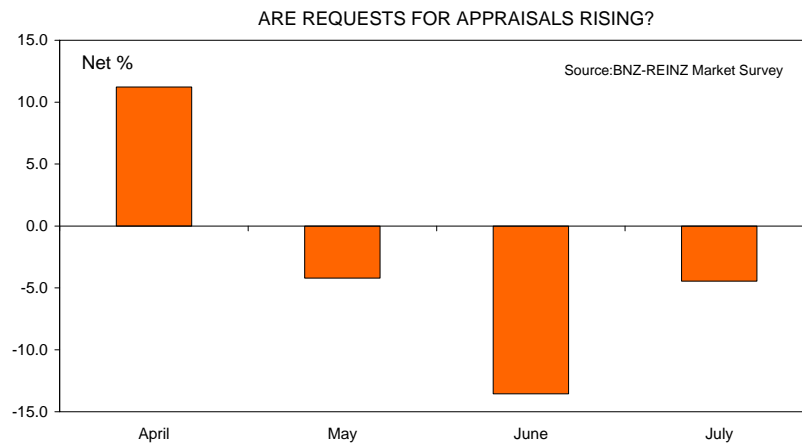


Are requests for appraisals increasing or decreasing?

Vendors In No Hurry

Our monthly BNZ Confidence Survey released earlier this week found a high number of real estate agents reporting a lack of listings. Their anecdotes are well correlated with our BNZ-REINZ Residential Market Survey showing a net 4% of agents noting a decline in the perceived number of vendors seeking appraisals of their properties. If there were to be a surge in listings in the near future we would expect appraisal requests to be rising. They are instead falling and this suggests the listings shortage is set to continue.

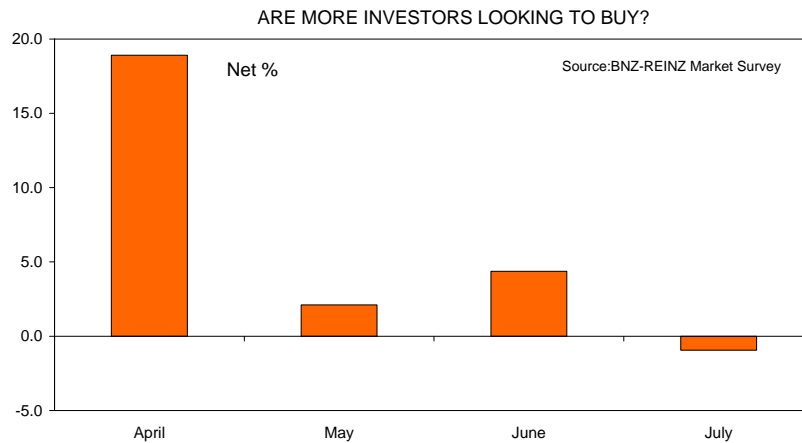
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Is the number of investors looking to buy increasing or decreasing?

No Trend Apparent

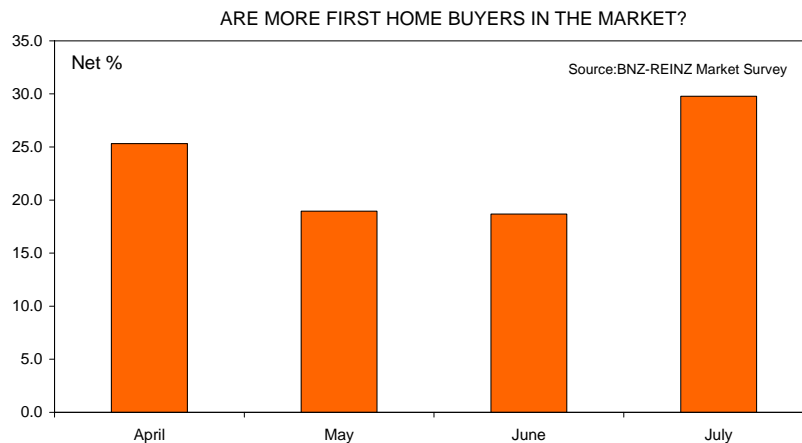
For three months in a row now the number of agents feeling more investors are entering the market has roughly matched the number feeling that there are fewer investors. The latest result of a net 1% feeling fewer investors are in the market stands in stark contrast with the result below regarding first home buyers.



Is the number of first home buyers increasing or decreasing?

More and More First Time Buyers In The Market

Our survey has found that a net 30% of licensed real estate agents feel that there are more first home buyers in the market. This is the fourth month in a row during which this result has been positive and the latest result is reasonably well above June's net 19% of agents feeling more first home buyers are around.

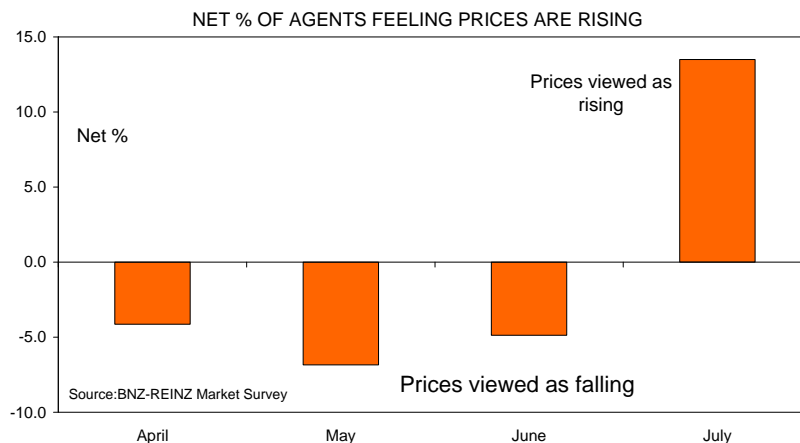


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Do prices appear to increasing, flat or decreasing?

Price Pressures Are Now Perceived To Be Upward

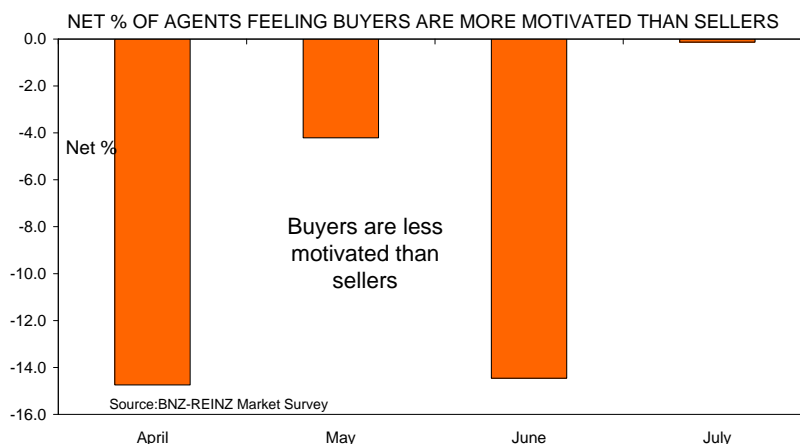
This measure has changed the most of all our gauges over the past month. Whereas in our May survey a net 7% of respondents felt prices were falling and in June a net 5% felt decreases were occurring, this survey has found a net 14% now feel that house sale prices are rising. This result suggests that buyers are not only going to Open Homes and completing offers, but capitulating on the prices vendors are asking.



Who appear more motivated to transact – the buyers or the sellers?

Pure Balance Reigns

This question is included to act as a check against the questions regarding prices, Open Home attendance, and offers going unconditional. In our latest survey as many agents reported that they feel buyers are most motivated as reported feeling sellers are more motivated. This balanced result is in contrast however with the previous three months when agents reported that generally they were feeling sellers to be more motivated than buyers. The fact that the result is on balance zero and not well into positive territory (buyers much more highly motivated to transact than sellers) suggests to us that although many more agents are noticing more buyers around and that prices are perceived to be rising rather than falling, it is not a case yet that we have a sellers market. No boom in other words.



What are the main factors holding buyers back?

The main factor stopping buyers from transacting is a perceived lack of good quality listings with 34% of agents noting this as a reason for reticence. This factor is noticeably more important than in June's survey. Slightly fewer buyers hold back now because they feel they will not be able to sell their own house (18.5%) and only 23% cite an expectation of price declines as staying their purchasing hand. This result was well

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down from June's 30%. This measure of reduced worries about price declines backs up the result above regarding agents perceiving prices to be rising and the market shifting to balance as opposed to being largely in buyers' favour.

	Latest %	Month Ago %	Average %
They feel prices will decline	23.0	30.3	28.9
Worries about securing finance	15.0	15.9	17.2
Not confident they can sell their house	18.5	20.4	20.2
Poor quality of listings	34.2	22.4	25.0
Other	9.3	11.0	8.6

What are the main reasons people are buying?

There are a great many reasons why people buy a house and with this question we are looking to see if any interesting changes in reasons are occurring over time. This month there have been a few more people buying because they expect prices to rise, and more buying because of earthquake damage to their homes (2.3%). But apart from that the reasons have not changed much in the past month or compared with the four month average.

	Latest %	Month Ago %	Average %
Fear of missing out/Feel time is right for prices	11.5	8.8	9.6
Trading up	13.2	16.7	15.2
Trading down	16.9	18.2	17.2
Shifting into town	14.2	15.4	14.4
Arriving from overseas	5.9	6.7	6.0
Relationship breakdown	11.9	13.3	12.6
Commuting costs	2.7	3.7	3.3
Schooling	8.7	8.5	8.3
Want closer proximity to shops	2.3	2.0	2.0
Want closer proximity to relatives	2.9	2.8	3.1
Want closer proximity to health care services	1.9	2.5	2.1
Investing	0.2	0.2	0.6
First home	1.1	0.7	1.4
Earthquake	2.3	0.6	2.1
Good interest rates	0.5	0.1	0.4
Other	3.9		2.5

What are the main reasons Written Sales fail to go unconditional?

Compared with June there has been a slight decrease in the perceived proportion of failed sales happening because of the buyer's inability to get finance – thus backing up comments in the media in recent weeks regarding some easing in bank lending criteria.

	Latest %	Month Ago %	Average %
Finance	37.8	43.2	41.9
LIM report	5.8	7.3	6.3
Builders report	47.0	47.3	45.0
Earthquake/insurance	3.6	2.3	3.1
Can't sell own house	1.5	0.0	1.7
Other	4.2		2.5

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What are the main factors motivating vendors to sell?

Vendors are perceived mainly as selling because they need the money (19.2%), a relationship has broken down (16.75), they are trading down (15.8%), or they are shifting town (14.2%). None of these reasons have altered much in the past month.

	Latest %	Month Ago %	Average %
They think prices are going to fall	3.2	3.1	3.6
Need the money	19.2	21.8	21.7
Trading up	10.7	9.9	10.8
Trading down	15.8	16.2	14.4
Leaving town	14.2	13.9	13.4
Leaving the country	8.9	8.2	7.7
Relationship breakdown	16.7	16.1	16.1
Commuting costs	1.5	1.8	1.4
Schooling	3.6	3.8	3.5
Want closer proximity to shops	0.8	0.9	0.8
Want closer proximity to relatives	1.6	1.5	2.0
Want closer proximity to health care services	1.2	2.2	2.0
Earthquake	0.8	0.2	0.6
Bank request, job loss	0.2	0.0	0.3
Retirement	0.2	0.1	0.3
Estate sales	0.0	0.1	0.2
Other	1.4		1.5

CITIES

With the number of responses to our survey now reaching over 700 we are able to report more results at the local level. Also, we have cut the minimum number of results before reporting separately down to 10. Note however that for areas with a low number of responses the results do need to be treated with some caution.

There are understandably a great number of comments one can make about the disaggregated results and here are just a few. With regard to the final column showing whether agents perceive the market to be one where buyers are more motivated than sellers Auckland City, North Shore City, and Christchurch City areas stick out as having highly motivated buyers. In contrast in most other areas sellers appear more motivated to transact especially in Tauranga, Waikato Country, the broadly rural Canterbury/West Coast area, Wairarapa, Rotorua, and the Kapiti Coast.

If one chooses just one location, say Wellington Region, comments can be made as follows. Compared with the national average Wellington Region (all Wellington City, Upper and Lower Hutt and Porirua) is experiencing more people through Open Homes and strong interest from first home buyers. But auction clearance rates have decreased and vendors are showing greater motivation to transact than buyers.

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	# of Responses	# of people through Open Homes	% of Written Sales Unconditional	Auction Clearance rate	Requests for Appraisals	Investors buying	First home buyers	Prices	Buyers more motivated?
Auckland City	97	21.6	17.5	47.8	-15.5	-5.2	37.1	61.9	45.4
North Shore City	57	40.4	26.3	41.8	-50.9	-17.5	40.4	52.6	33.3
Christchurch City	56	69.6	37.5	39.1	58.9	1.8	41.1	39.3	21.4
Wellington Region	47	29.8	8.5	-29.0	-17.0	-4.3	42.6	-2.1	-44.7
Manukau City	35	5.7	14.3	-14.8	-2.9	-2.9	31.4	40.0	14.3
Waikato/BOP Region									
- Other	33	-9.1	6.1	4.8	3.0	-3.0	3.0	-15.2	-3.0
Whangarei/Northland	31	9.7	22.6	8.0	22.6	-6.5	25.8	-22.6	-16.1
Waitakere City	30	43.3	53.3	53.6	-36.7	0.0	60.0	68.3	20.0
Rodney District	26	-7.7	3.8	29.2	-23.1	-7.7	23.1	0	-7.7
Napier City	24	33.3	20.8	-36.8	-4.2	20.8	58.3	-12.5	-8.3
Tauranga	23	26.1	8.7	-5.0	4.3	-17.4	17.4	-13.0	-47.8
Hamilton City	23	47.8	52.2	45.5	-8.7	47.8	56.5	4.3	-26.1
Other Auckland	21	9.5	28.6	6.3	-47.6	4.8	19.0	-4.8	-19.0
Waikato Country	18	0.0	27.8	18.2	16.7	-22.2	11.1	-33.3	-33.3
Dunedin City	17	29.4	23.5	0.0	-29.4	-11.8	23.5	5.9	17.6
Manawatu/Wanganui									
-Palm Nth	17	17.6	17.6	-16.7	5.9	11.8	17.6	-17.6	-23.5
Canterbury/Westland									
- Other/West Coast	15	40.0	6.7	-28.6	20.0	-6.7	-6.7	20.0	-33.3
Queenstown/Central									
-Otago Lakes Other	14	0.0	14.3	0.0	-7.1	14.3	0.0	7.1	-21.4
Taupo	13	15.4	-7.7	44.4	7.7	-30.8	7.7	0.0	0.0
Mount Maunganui									
-Papamoa	13	15.4	23.1	16.7	-46.2	0.0	0.0	-7.7	7.7
Hawkes Bay Other	12	-25.0	-25.0	-12.5	8.3	-41.7	-33.3	-33.3	-33.3
Timaru/Mid/South									
-Canterbury	12	41.7	33.3	0.0	25.0	-8.3	25.0	16.7	8.3
Hastings City	11	36.4	36.4	-14.3	9.1	0.0	54.5	27.3	-9.1
New Plymouth City	11	-18.2	-27.3	0.0	0.0	-36.4	36.4	-27.3	18.2
Wairarapa	10	-40.0	0.0	-42.9	-50.0	40.0	10.0	-70.0	-40.0
Rotorua	10	10.0	10.0	-44.4	10.0	10.0	20.0	0.0	-30.0
Kapiti Coast	10	10.0	50.0	0.0	-20.0	30.0	30.0	-40.0	-70.0
Manawatu/Wanganui									
-Other	10	10.0	20.0	-42.9	0.0	0.0	0.0	-40.0	-20.0
Invercargill	10	30.0	20.0	-25.0	0.0	10.0	30.0	-10.0	0.0
All	742	23.0	20.1	15.6	-4.4	-0.9	29.8	13.5	-0.1

Each month in this Cities section we shall report results for locales where at least 10 responses are received, or where we feel one can reasonably group some locations together and still have reasonably valid conclusions.

Summary

Around most of the country there is evidence of more buyers in the residential real estate market though they tend overwhelmingly to be first home buyers rather than investors. In most of the large centres prices are perceived to be rising and in those centres buyers are more likely to capitulate to transact than sellers. But there remain some notable areas of weakness outside the main centres.

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The BNZ-REINZ Market Survey is run (usually) on the first Tuesday of the month provided there is a three day gap with the end of the previous month. In the email sent to REINZ member email addresses respondents are asked to click on a URL which takes them to a survey site. Respondents are asked if they feel various measures of real estate market activity are increasing or decreasing and to identify various factors in play influencing buyer and vendor behaviour. Results are collated within 48 hours and this report is distributed to all BNZ Weekly Overview recipients, REINZ members, and the media.

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